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**Clearance Office:** Office of Country and Regional Affairs (OCRA)

**Date:** 6/24/2009

**GAIN Report Number:** BR9620

## Brazil

**Post:** Brasilia

## Brazil Announces Agricultural Plan for 2009\_2010

### Report Categories:

Policy and Program Announcements

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### Report Highlights:

To ensure income to producers for continued sustainable growth and to stimulate the agriculture production, the Brazilian government intensified measures to maintain liquidity and allocated US\$ 53.7 billion for the 2009/2010 crop year, a 37 percent increase over last year's agriculture plan. The biggest chunk of credit will go to crop financing. Farmers producing 33 crops, including soybeans, corn and cotton, will receive \$ 33 billion in subsidized farm credit, a 21 percent increase over last year, to help purchase inputs and market their produce over the coming year.

**Executive Summary:** To ensure income to producers for continued sustainable growth and to stimulate the agriculture production, the Brazilian government intensified measures to maintain liquidity and allocated US\$ 53.7 billion for the 2009/2010 crop year, a 37 percent increase over last year's agriculture plan. The biggest chunk of credit will go to crop financing. Farmers producing 33 crops, including soybeans, corn and cotton, will receive \$ 33 billion in subsidized farm credit, a 21 percent increase over last year, to help purchase inputs and market their produce over the coming year.

## **General Information:**

### **Policy:**

On June 22, 2009, the President of Brazil announced the 2009/2010 Agriculture and Livestock Plan (PAP). The new PAP allocates a total of R\$ 107.5 billion (US\$ 53.7 billion) to finance production costs, marketing and investment for the upcoming 2009/2010 crop year (October 2009 through September 2010), an increase of 37 percent over last year's plan. Of this amount, R\$ 92.5 billion (US\$ 46 billion) is allocated for commercial and export oriented agriculture, up 42.3 percent from the same period last crop year, while R\$ 15 billion (US\$ 8 billion) is allocated to family agriculture.

The increasing performance of the agricultural sector over the last several decades contributed to mitigate the effects of the international financial crisis. For farmers to ensure the conditions for continued growth, the Brazilian government intensified measures to maintain liquidity and the use of instruments to support production and marketing.

In addition to the funds, the 2009/2010 Agriculture and Livestock Plan established as the guidelines for agricultural policy of the next crop, the following objectives: a) to reinforce the support to the medium-sized farmer; b) to support and strengthen cooperatives; c) to stimulate and develop sustainable practices of production, and preserve environmental resources; d) to increase the resources of the National System of Rural Credit (SNCR), mainly at controlled interest rates; e) to improve the liquidity of rural product; f) to reduce the producer's financial costs; g) to increase rural insurance; h) to increase and encourage organic production; i) to strengthen the increase of biofuel production; j) to support the commercialization with minimum prices.

The following are the main points of the PAP:

- **Interest Rates.** The government decided to maintain last year's level of subsidized interest rates at 6.75 percent for this year's financing. The new PAP also includes the creation of financing lines and the extension of credit limits.
- **Production and Marketing Credit.** Of the total amount of R\$ 92.5 billion (US\$ 46 billion) for commercial agriculture, R\$ 54.2 billion (US\$ 27.1 billion) is allocated to financing production and marketing costs at subsidized interest rates of 6.75 percent per year;
- **Government support programs.** A total of R\$ 8.5 billion (US\$ 4.3 billion) were allocated for three government support programs: a) Government Generation of Employment and Income Program (R\$ 5 billion); b) Government Aid to Cooperativism Program (R\$ 2 billion); and c) Government Incentive to Sustainable Agribusiness Program (R\$ 1.5 billion).
- **Minimum price program.** The current minimum prices were adjusted to reflect increased costs of production and vary according to each commodity, such as rice (20% higher), cotton (8% higher), milk (15% higher), soy (10% higher) and corn (6% higher);
- **Investment Credit.** Total funds available for financing investment in farm and livestock program is R\$ 14 billion (US\$ 7 billion), an increase of 37 percent over last year's plan, at subsidized interest rates of 6.75 percent per year. The program was created last year, and supports recuperation of pasture areas and adoption of sustainable practices of production.

- Energy. On May 5, 2009, the government announced a new program for funding the storage of ethanol and made available R\$ 2.31 billion (US\$ 1.1.billion) to finance the storage of up to 3.3 billion liters of ethanol.
- Increase of 15 percent in funds for financing forest plantations (R\$ 200 million);
- Increase of 59 percent in funds for subsidizing the premium of Rural Insurance (R\$ 273 million);

Note: Exchange rate used in this report: US\$ 1.00 = R\$ 2.00